



Commercial Service Caribbean Region Santo Domingo

IMPACT OF CAFTA-DR IN THE ELECTRICAL SECTOR

CAFTA-DR Facts:

The United States and Dominican Congresses recently approved the Central American Free Trade Agreement-Dominican Republic (CAFTA-DR). The agreement will greatly expand the bilateral trade between the participating countries; it will also allow for greater access for U.S. exports into the region. The member states of CAFTA-DR, combined, already constitute the 10th largest market for U.S. exports in the world. In 2004, the United States exported nearly \$16 billion of manufactured goods to the region, of which 27% was exported to the Dominican Republic; the largest market among the CAFTA-DR partners. The United States exports 56% of all Dominican imports and enjoys a market share of over 70% in consumer goods imports into the Dominican Republic.



CAFTA-DR is expected to be implemented on January 1, 2006. However, the CAFTA-DR partners that have ratified or approved the agreement must formally agree on an implementation date. The U.S. Chamber of Commerce estimates that upon implementation of the CAFTA-DR, US exports to the region could grow by 20% in the first year. When implemented, CAFTA-DR provides for the immediate elimination of tariffs on 80% of all manufactured goods exported from the United States. Customs duties on the remaining 20% of products will be phased out over the next five to fifteen years. In addition, the CAFTA-DR will require each member country to take steps to improve government transparency, customs procedures and the protection of foreign investments.

Under the CAFTA-DR, US imports into the Dominican Republic have been classified by categories. Each category provides for the elimination of customs duties in different stages. Some products will enter the Dominican Republic duty-free on the date the agreement enters into force, while others will receive gradual reductions on the customs duties. Most of the products in the electrical sector have been categorized within the groups A and C. An explanation of these categories follows:

Category A:

Duties on goods under this category will be eliminated entirely on the date the agreement enters into force.

Category C:

Duties on the products under this category will be removed in ten equal annual stages beginning on the date the agreement enters into force, and will be duty-free, effective January 1 of year ten.

For the products included under each category please refer to the attached list.



It should be noted that the benefits of CAFTA-DR are for those products that comply with the "Rules of Origin" established in Chapter Four of the agreement. Under these rules, a product that is manufactured in another country, for example Japan or China, will not receive duty-free treatment even if it is imported from the United States.

Another important benefit of the CAFTA-DR is that several other taxes and fees levied on American products exported to the Dominican Republic will be eliminated.





These are the Consular Invoice (current value varies), and the Exchange Surcharge (currently 13%). However, a 16% ITBIS tax (value added tax on industrialized goods and services) is required to be applied to most products sold in the Dominican Republic. As a result of the elimination of these taxes, the prices of electrical items are expected to decline, while imports from the United States are expected to increase.



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For more information please contact:

Maria Elena Portorreal, Regional Senior Commercial Advisor

E-mail: maria.elenaportorreal@mail.doc.gov

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CAFTA-DR Electrical Sector HS Codes Dominican Republic

Category A	
HS Code	Description
840110	Nuclear reactors
840120	Isotopic separation machinery, apparatus and parts
840140	Parts of nuclear reactors
840211	Watertube boilers steam production (excluding 45 T/Hr)
840219	Vapor generating boilers (including hybrid)
840220	Super-heated water boiler
840290	Heat exchangers
	Parts for steam, vapor generating, super-heat water boilers
840410	Auxiliary plate for use with boilers (heading 8402-8303, not economizers)
840420	Condensers for steam and other vapor power units
840490	Auxiliary parts for boilers, condensers for steam, vapor power units
841011	Turbines (hydraulic), water wheels (<1000 Kw)
841090	Parts (including regulators) for hydraulic turbines and water wheels
841181	Gas turbine engine (excluding A/C, power <5000 Kw)
841182	Gas turbine engine (excluding A/C, <5000 Kw)
841199	Parts of non-aircraft gas turbines
850211	Generating sets (diesel, <75Kva output)
850212	Generating sets (diesel, 75-375Kva)
850213	Generating sets (diesel, 375-1000Kva, >1000Kva)





HS Code	Category A	
	Description	
850220	Electric generating sets (gasoline)	
850240	Electric rotary converters	
850421	Transformer (liquid dialect, 50-650Kva)	
850422	Transformer (liquid dialect, 650-10000Kva)	
850431	Transformer (rated/unrated, <=1Kva)	
850432	Transformer (1-16Kva)	
850433	Transformer (16-500Kva)	
850434	Transformer (>500Kva)	
850490	Transformer parts Static converter and inductor parts	
853510	Fuses (in circuits >2300V and for voltage 1000-2300V)	
853521	Automatic circuit breakers (1000V-75.2Kv)	
853529	Automatic circuit breakers (75.2Kv-345Kv)	
853530	Switches (isolating, make and break, knife type, >1000Kva)	
853540	Lightening arrestors, voltage limiters, surge suppressors	
853590	Terminals, electrical splices and couplings; electrical switch and circuit pro-	
853610	Fuses (glass cartridge/molded case, <1000V)	
853620	Automatic circuit breakers (molded case, <1000V)	
853630	Electrical circuit protection apparatus (<1000V)	
853649	Contactors and relays (60-1000V)	
853669	Electrical connectors (coaxial <1000V, cylindrical with multi-contact, printed	
853690	Terminals, electrical splices and couplings, wafer probers Electrical distribution ducts (not exceeding 1000 V) Electrical junction boxes (not exceeding 1000 V) Electrical apparatus for switchboard and protector circuits	
853720	Switchgear and switchboard assemblies Electrical apparatus equipment with apparatus from heading 8535 and 8536	
853890	Auto circuit breaker parts, electrical metal contacts, switchgear parts, and	
854451	Electrical conductors (80-1000V) with connectors	
854610	Electrical insulators (glass)	
854620	Electrical insulators (suspension, pin-type, line post, ceramic with high V	
854790	Electrical conduit tubing and electrical conduit joints (lined with insulation)	





Category C	
HS Code	Description
854459	Insulated electric conductors (<1000V, copper)
854460	Insulated electric conductor (with/without connectors, >1000 V, copper)

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Author: Maria Elena Portorreal, Regional Senior Commercial Advisor

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Phone: (809) 227-2121 ext. 225 **Fax:** (809) 920-0267

E-mail: maria.elenaportorreal@mail.doc.gov **Web:** www.buyusa.gov/caribbean

